

# Paid Time Off For Vaccinations – A Reason for an Employer Tax Credit

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## Article

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On July 29, 2021, the IRS updated its frequently asked questions (FAQs) regarding the paid sick and family leave tax credits under the American Rescue Plan Act of 2021 (ARPA). The new guidance clarifies that eligible employers can claim ARPA tax credits for providing paid leave to employees to either (1) accompany a family or household member or certain other individuals to obtain the COVID vaccine or (2) care those individuals while they are recovering from the side effects related to the COVID vaccine. Eligible employers are private employers with fewer than 500 employees and certain governmental employers without regard to the number of employees. Prior to the issuance of this guidance, it was unclear whether the tax credit could be extended to vaccine-related leave.

We expect many employers are revisiting policies around vaccinations as COVID rates are increasing and managers are pushing to avoid another business shutdown. Further, the FDA granted full approval of the Pfizer vaccine on August 23, 2021, as Moderna and J&J continue to seek full approval for their vaccines. These developments could drive employers to develop changes to expanded paid leave policies to encourage or accommodate vaccination efforts.

Note the IRS' recent guidance expands an already lucrative tax credit available under ARPA. Under ARPA, eligible employers are entitled to tax credits if they provide employees with paid sick leave if the employee is unable to work due to any of the following COVID-related reasons:

- the employee is under a Federal, State, or local quarantine or isolation order related to COVID
- the employee has been advised by a health care provider to self-quarantine due to concerns related to COVID
- the employee is:
  - experiencing symptoms of COVID and seeking a medical diagnosis

- seeking or awaiting the results of a diagnostic test for, or a medical diagnosis of, COVID and the employee has been exposed to COVID or the employee's employer has requested the test or diagnosis
- obtaining immunization related to COVID or recovering from any injury, disability, illness, or condition related to the immunization
- the employee is caring for an individual who is subject to a Federal, State, or local quarantine or isolation order related to COVID, or has been advised by a health care provider to self-quarantine due to concerns related to COVID
- the employee is caring for the child of the employee if the school or place of care of the child has been closed, or the childcare provider of the child is unavailable, due to COVID precautions
- the employee takes leave:
  - to accompany an individual to obtain immunization related to COVID
  - to care for an individual who is recovering from side effects related to the COVID vaccine.

As eligible employers develop policies for increasing vaccination rates, they should be mindful of these available tax credits. Under ARPA, eligible employers are entitled to tax credits if they provide employees with paid family leave because the employee is unable to work due to any of the reasons listed above for which eligible employers may provide paid sick leave. The credits are based on the wages paid for providing the paid time off for up to two-thirds of an employee's pay for up to 10 days. The credits apply for paid time off through September 30, 2021 and are claimed on the employer's quarterly IRS Form 941.

In sum, this welcome IRS guidance can provide many employers with increased opportunities for monetizing payroll tax credits available under ARPA. We encourage employers to review their existing Covid-related leave policies to incorporate this guidance into existing practices. And finally, to the extent paid time off has been granted for vaccinations in prior quarters, employers should consider amending their Form 941s to take advantage of this new IRS guidance.